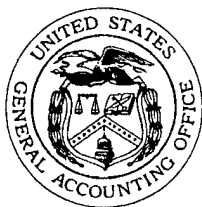


September 1997

BASE OPERATIONS

Contracting for Firefighters and Security Guards



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-277056

September 12, 1997

The Honorable James M. Inhofe
Chairman
The Honorable Charles S. Robb
Ranking Minority Member
Subcommittee on Readiness
Committee on Armed Services
United States Senate

This report responds to your request for information about contracting for firefighter and security guard services within the Department of Defense (DOD). Specifically, you asked us to provide information on (1) the military services' positions on contracting for firefighters and security guards, (2) lessons learned from using contract firefighters and security guards at military bases, and (3) the cost-effectiveness of contracting for these services.

Background

Federal agencies have been encouraged since 1955 to contract with the private sector for goods and services, also known as outsourcing. In 1966, the Office of Management and Budget (OMB) issued Circular A-76, which established the federal policy for the government's performance of commercial activities. In a 1983 supplemental handbook, OMB established procedures for determining whether commercial activities should be contracted. In 1996, OMB revised the supplemental handbook to streamline and improve the A-76 decision-making process.

Since late 1982, Congress has, for the most part, generally prohibited DOD from contracting for firefighters and security guards.¹ According to the legislative history, the prohibition was enacted because of concerns about the uncertain quality and reliability of private firefighter and security guard services, base commanders' control over contractor personnel, and the right of contractor personnel to strike. Under 10 U.S.C. 2465, the prohibition against contracting for these services does not apply (1) when the contract is to be performed overseas, (2) when the contract is to be performed on government-owned but privately operated installations, and (3) when the contract (or renewal of the contract) is for the performance of a function already under contract as of September 24, 1983. In addition, there is an exception for contracts for these services with local

¹These prohibitions were included in Public Laws 97-252, 98-94, 99-145, and 99-661 and codified in 10 U.S.C. 2465.

governments with respect to closing bases. At present, 44 military bases in the United States and its territories and possessions contract for firefighter and/or security guard services under various exclusions from the requirements of 10 U.S.C. 2465. A listing of these facilities appears in app. I. Most of the bases were excluded because they contracted for these services before September 1983.

Because of continuing budgetary and personnel limitations and the need to fund weapons modernization, DOD has increased its emphasis on outsourcing support activities. Between October 1995 and January 1997, the services announced plans to begin A-76 studies during fiscal years 1996 and 1997. These studies will involve over 34,000 positions, most of which are associated with base support activities. Additional studies involving more than 100,000 positions will be started over the next 6 years.

Results in Brief

DOD has previously asked Congress to repeal the prohibition against contracting for firefighter and security guard services, but DOD did not make this request in fiscal year 1997. DOD officials believe that significant savings can be realized if the services were allowed to compete these services and that repealing the law would promote more efficient and effective use of military personnel.

Our visits to two Navy bases that contract and discussions with service personnel responsible for firefighter and security guard services found that in those instances in which the services had been contracted the results have been mixed. At one Navy facility with an omnibus contract (before 1983) for all base operation services, firefighter service inspection reports showed satisfactory performance, and contract evaluation reports for both firefighter and security guard services showed outstanding performance. The senior military official responsible for these functions at the base stated that he was satisfied with the contract services received. Another Navy facility that has contracted for security guard services since before 1983, however, has experienced problems with contractor performance, including one contractor who went bankrupt. According to service representatives from the Air Force, Navy, and Army, contractor performance has been generally satisfactory, although some minor problems have occurred. The representatives generally believe that the problems could have been resolved through better contracting and contract oversight practices.

The best way to determine if savings can be achieved from contracting firefighter and security guard services is by completing an A-76 study at each base where these services are being considered for conversion to contract. Because of the law, DOD has not performed any new A-76 studies for firefighters or security guards. These studies are necessary because every base is unique in terms of the mission that it must support. The cost of the services at each base is affected by the specialized fire prevention and protection services required (e.g., shipboard or structural firefighting, aircraft crash or water rescue, and the need for armed guards). Similarly, local economic factors, such as base location, cost of living, and the availability of qualified personnel and interested contractors in the community, affect costs.

Because of these reasons, we could not determine the overall effectiveness of contracting for firefighter and security guard services. However, we previously reported on prior experience with the A-76 process. Our report stated that competitions produce savings, usually through a reduction in personnel, regardless of whether they are won by the government or the private sector.² Savings occur as each competitor strives to design the most efficient organization for doing the work—often with fewer personnel than before. The report also concluded that the magnitude of the savings from outsourcing over time is likely to be less than projected from the initial cost comparison. The Army has reported that about one-half of the commercial activities studied for outsourcing had lower contract than in-house costs.

Agency Comments

DOD reviewed a draft of this report and generally concurred with our conclusions. DOD's comments appear in appendix II. DOD also provided technical comments which we incorporated as appropriate. DOD stated that it does not have extensive data for predicting the outcome of A-76 competitions for contracting for firefighter and security guard services but it has benefited from competition on other commercial activities.

Scope and Methodology

To gather information on DOD's and the services' positions on contracting firefighter and security guard services, we interviewed officials from the Offices of the Deputy Under Secretary of Defense for Industrial Affairs and Installations, the Army Assistant Chief of Staff for Installations and Management, the Air Force Deputy Chief of Staff for Plans and Programs,

²Base Operations: Challenges Confronting DOD as It Renews Emphasis on Outsourcing (GAO/NSIAD-97-86, Mar. 11, 1997).

the Deputy Chief of Naval Operations for Logistics, and the Marine Corps Deputy Chief of Staff for Installations and Logistics, all located in the Washington, D.C. area.

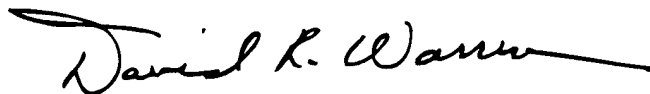
To identify lessons learned from contracting for firefighter and security guard services, we visited Kings Bay Naval Submarine Base, Georgia, and Jacksonville Naval Base, Florida, and interviewed contracting officers and base officials responsible for overseeing these functions. We also interviewed contractor officials to obtain their views. In addition, we visited Mayport Naval Station, Florida, where both firefighter and security guard services are provided by DOD civilians, to obtain officials' views on contracting for firefighter services.

To obtain information on the cost-effectiveness of contracting for firefighter and security guard services, we reviewed the criteria in OMB Circular A-76 and held discussions with service officials responsible for A-76 studies and service privatization programs. We also reviewed our prior work on this issue.

We performed our review from April to May 1997 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Appropriations and House Committees on National Security and Appropriations; the Secretaries of Defense, the Air Force, the Army, and the Navy; and the Director of OMB.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix III.

A handwritten signature in black ink, reading "David R. Warren". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

David R. Warren, Director
Defense Management Issues

Contents

Letter		1
Briefing Section I		8
Background	Government Contracting Policy	8
	Policy for Contracting for Firefighters and Security Guards	10
	Number of Positions Exempt From Contracting in Fiscal Year 1996	12
Briefing Section II		14
DOD Position on the Law	DOD's Position on 10 U.S.C. 2465	14
Briefing Section III		16
Lessons Learned From Contracting for Firefighter and Security Guard Services	DOD's Experience at Two Bases That Contract	16
Briefing Section IV		18
Cost-Effectiveness of Contracting for Firefighter and Security Guard Services	Cost-Effectiveness of Contracting Will Vary by Base	18
	Factors That Influence Savings in the Outsourcing Process	20
Appendix I		22
U.S. Bases That Contract for Firefighter And/or Security Guard Services		

Contents

Appendix II Comments From the Department of Defense	24
Appendix III Major Contributors to This Report	26

Abbreviations

DOD	Department of Defense
OMB	Office of Management and Budget

Background

GAO

Government Contracting Policy

According to Office of Management and Budget (OMB) Circular A-76, it is the general policy to rely on commercial sources to supply the products and services the government needs.

The Circular sets forth the procedures for studying commercial activities for potential contracting. On average, the Department of Defense (DOD) takes 18 to 24 months to complete an A-76 study.

Federal policy regarding the performance of commercial activities was established in 1966 by OMB Circular A-76. The Circular states that the government should generally rely on commercial sources to supply the products and services it needs. To implement this policy, the Circular requires that cost comparisons, referred to as A-76 studies, be made to determine whether agencies should use contractors or government employees to perform commercial activities, such as automatic data processing, guard and protection services, and maintenance and repair

services. An A-76 cost study involves comparing estimated contract and in-house costs for the specific work to be performed to determine the most cost-effective approach.

OMB's Performance of Commercial Activities Handbook, a supplement to Circular A-76, furnishes the guidance for computing cost comparison amounts. Agencies considering contracting are to prepare a performance work statement defining the function being requested, the performance standards and measures, time frames required, and a description of the government's in-house organization for performing the activity. The agencies then use these data and other estimated costs to prepare a total estimated cost for in-house performance. To estimate contractor performance costs, the selected bid or offer is added to other estimated costs, such as contract administration, to develop a total projected cost. The Circular requires agencies to compare the two estimates to determine which alternative is more cost-effective. On average, DOD takes 18 to 24 months to complete an A-76 study.

GAO **Policy for Contracting for Firefighters and Security Guards**

10 U.S.C. 2465 prohibits contracts for performance of firefighter or security guard services at any military installation or facility except

- when the contract is to be performed overseas,
 - when the contract is to be carried out on a government-owned but privately operated installation,
 - when the contract (or the renewal of a contract) is for the performance of a function already under contract on September 24, 1983, or
 - when the contract is for services at a base closing within 180 days.
-

The prohibition against contracting out firefighter and security guard services first appeared in the fiscal year 1983 Defense Authorization Act (P.L. 97-252). The fiscal year 1984 Defense Authorization Act (P.L. 98-94) extended the prohibition for 2 additional years and included two exceptions: DOD could contract for these functions at locations outside the United States and at government-owned but privately operated installations. The fiscal year 1986 Defense Authorization Act (P.L. 99-145) extended these prohibitions for 1 additional year. The fiscal year

Briefing Section I
Background

1987 Defense Authorization Act (P.L. 99-661) made the prohibitions permanent. Finally, the 1994 Defense Authorization Act (P.L. 103-160) added a provision permitting DOD to contract with local governments for police and fire protection services at military installations that were being closed within 180 days.

GAO

DOD's Position on 10 U.S.C. 2465

DOD officials state that they would like Congress to repeal the prohibition against contracting for firefighter and security guard services. However, although DOD has previously asked Congress to repeal the law, it did not specifically make this request in fiscal year 1997.

DOD's fiscal year 1996 inventory of civilian and military personnel involved in commercial activities shows that 9,979 firefighters and 12,204 security guards were exempt from outsourcing because of the law and other considerations, such as mobility requirements.

Briefing Section I
Background

DOD Position on the Law

GAO **DOD's Experience at Two Bases That Contract**

- One base with a large omnibus base services contract that included both firefighters and security guards was satisfied with the service received and experienced no major problems with the qualifications of personnel provided, unanticipated cost growth, management control of contractor personnel, or strikes.
 - One base with a contract for security guard services had a contractor who went bankrupt. It also had concerns about the age and physical condition of some guards provided by the contractor but believed the problems could be resolved with better contracting practices.
-

DOD officials state that they would like Congress to repeal the prohibition against contracting for firefighter and security guard services. However, although DOD has previously asked Congress to repeal the law, it did not specifically make this request in fiscal year 1997. DOD officials believe that significant savings can be realized from competing these functions with the private sector and that repealing the law would promote more efficient and effective use of military personnel. Officials from the Offices of the Army Assistant Chief of Staff for Installation Management, the Deputy

Briefing Section II
DOD Position on the Law

Chief of Naval Operations for Logistics, the Air Force Deputy Chief of Staff for Plans and Programs, and the Marine Corps Deputy Chief of Staff for Installations and Logistics also stated that their respective services support DOD's position.

Lessons Learned From Contracting for Firefighter and Security Guard Services

GAO **Cost-Effectiveness of Contracting Will Vary by Base**

- Cost-effectiveness of contracting for firefighter and security guard services can best be determined by conducting A-76 studies.
- An A-76 study is necessary at each base that may convert these functions to contract because each base is unique in terms of the mission it must support and the nature of its local economy.

Visits to two Navy facilities, discussions with cognizant personnel in the Office of the Secretary of Defense and the services, and a review of inspection reports and other documents from the facilities showed that the results of contracting for firefighter and security guard services have been mixed.

Kings Bay Naval Submarine Base, Georgia, has been contracting for firefighter and security guard services as part of an omnibus base

operating services contract since the early 1980s. Each quarter, a panel of senior officers assesses the contractor's performance as part of the contract award fee process. Our review of this data since the first quarter of fiscal year 1992 showed that the contractor received an average of 100 percent of the award fee for firefighter services and an average of 98.9 percent of the award fee for security services.

Command Readiness Inspections of the base's fire department, conducted by the Naval Facilities Engineering Command between 1986 and 1994, showed that the contractor provided satisfactory service.³ The base's Director of Facilities and Environment also stated that the contractor provided excellent service. The contractor has a contingency plan for potential work stoppages, but it has not been used. Also, the recent transition among contractors, as a result of recompeting the contract, went smoothly.

Jacksonville Naval Base, Florida, has contracted a portion of the security guard functions for three tenant commands located on the base for more than 15 years. In 1996, the existing contractor went bankrupt, which abruptly terminated the service. A new contract was quickly awarded, and no major disruptions in service occurred during the transition. Jacksonville officials also expressed concerns about the age and physical condition of some personnel provided by previous contractors. According to the contracting officer, these problems could have been avoided with a better pre-award survey, improvements in the contract statement of work, and better contract oversight.

Service officials told us of a few other bases that have experienced similar problems but stated that the problems are not widespread. For example, Los Angeles Air Force Base experienced problems with its security guard contract, and the contractor at the Navy facility at Andros Island had difficulty providing adequate numbers of firefighters. The officials agreed that the problems could be avoided through better contracting practices.

³These inspections are conducted every 4 years and rate the firefighter services as satisfactory or unsatisfactory in various functional areas.

Cost-Effectiveness of Contracting for Firefighter and Security Guard Services

GAO **Factors That Influence Savings in the Outsourcing Process**

Our March 1997 report on DOD's contracting program identified some factors that influence savings in the contracting process:

- A-76 competitions usually project savings of about 20 percent, even if the function remains in house.
- On average, 60 percent of studied Army commercial activities projected less cost using contract services.
- Magnitude of savings from outsourcing over time is likely to be less than projected from initial cost comparisons.
- DOD savings achieved through competition are largely personnel savings.

Office of the Secretary of Defense officials generally believe that they can save money by conducting public/private competitions for firefighter and security guard services. However, the best way to determine if savings can be achieved is to conduct an A-76 study at each base that may consider converting these functions to contract.

Because of the requirements of 10 U.S.C. 2465, DOD has not performed new studies for firefighters and security guards. Individual studies would be

necessary because each base is unique in terms of the mission it must support and the nature of its local economy. For example, the two bases we visited are less than 100 miles apart, but the average cost for security guard services differs greatly. At Jacksonville Naval Station, the contractor is paid approximately \$1.4 million annually for 72 security guards (an average of \$19,444 per guard), whereas the contractor at Kings Bay Naval Submarine Base is paid approximately \$4 million per year for 102 security guards (an average of \$39,216 per guard). We did not analyze the reasons for the difference, but contracting officers at the bases told us that the gap is probably due to differences in personnel qualifications, work requirements, and economic factors at the respective bases.

In another example, officials at Onizuka Air Force Base, California, performed a cost comparison in 1994 of the contracted security police function. The comparison projected that the base could save approximately \$9.5 million over 55 months (the contract period) by performing the function in house.

GAO Number of Positions Exempt From Contracting in Fiscal Year 1996

Service	Component	Firefighters	Security guards
Army	Military	173	273
	Civilian	2,087	1,592
Navy	Military	115	1,978
	Civilian	2,806	959
Air Force	Military	1,740	7,030
	Civilian	1,695	372
Marine Corps	Military	0	0
	Civilian	678	0
Subtotal	Military	2,028	9,281
	Civilian	7,266	2,923
Total	Both	9,979	12,204

Because each base is unique in terms of its mission and the nature of its local economy, we could not determine the overall cost-effectiveness of contracting for firefighter and security guard services. However, our March 1997 report on DOD's contracting program identified some factors that influence savings in the outsourcing process. According to the report, outsourcing competitions usually generate cost savings regardless of whether the competitions are won by the government or the private sector. The savings achieved through the competitive process were the

result of closely examining the work to be done and determining how to do it with fewer personnel, whether inhouse or contracted.

The report also cautioned that the magnitude of savings from contracting over time is likely to be less than projected from initial cost comparisons. Estimates in cost comparisons are often heavily premised on initial savings estimates from previous outsourcing efforts, and such estimates change as the scope of the work and wages change. Furthermore, continuing budget and personnel reductions could make it difficult to sustain the levels of previously projected savings.

The Army has reported that about one-half of its past commercial activity cost comparisons had lower contract than in-house costs.

U.S. Bases That Contract for Firefighter And/or Security Guard Services

U.S. Bases That Contract for Firefighter Services

AIR FORCE

Cavalier Air Force Base, North Dakota
Vance Air Force Base, Oklahoma

ARMY

Redstone Arsenal, Alabama
Presidio Monterey, California
Picatinny Arsenal, New Jersey

NAVY

Atlantic Underwater Test and Evaluation Center, Andros Island
Pacific Missile Facility, Barking Sands, Hawaii
National Naval Medical Center, Bethesda, Maryland

U.S. Bases That Contract for Security Guard Services

AIR FORCE

Edwards Air Force Base, California
Hill Air Force Base, Utah

ARMY

Fort Rucker, Alabama
Space and Strategic Defense Command, Huntsville, Alabama
Yuma Proving Ground, Arizona
Aviation Support Command, Illinois
Fort Riley, Kansas
Fort Knox, Kentucky
New Orleans Gulf Outport, Louisiana
Fort Meade, Maryland
Aviation Support Command, Missouri
White Sands Missile Range, New Mexico
Fort Bragg, North Carolina
McAlester Army Ammunition Plant, Oklahoma
Fort Buchanan, Puerto Rico
Army Crime Records Center, Fort Belvoir, Virginia
Fort McNair, Washington, D.C.

NAVY

Appendix I
U.S. Bases That Contract for Firefighter
And/or Security Guard Services

Construction Battalion Center, Port Hueneme, California
Naval Air Facility, El Centro, California
Naval Oceanographic Systems Center, California
Fleet and Industrial Supply Center, Jacksonville, Florida
Naval Air Station, Key West, Florida
Naval Surface Warfare Center, White Oak, Maryland
Submarine Maintenance, Engineering, Planning and Procurement, New
Hampshire
Navy Weapons Station, Earle, New Jersey
Navy Inventory Control Point, Pennsylvania
Naval Station, Roosevelt Roads, Puerto Rico
Navy Undersea Warfare Center, Newport, Rhode Island
Navy Medical Center, Portsmouth, Virginia
Navy Undersea Warfare Center, Keyport, Washington

**U.S. Bases That
Contract for
Firefighter and
Security Guard
Services**

AIR FORCE

Arnold Air Force Base, California
Los Angeles Air Force Base, California
Cape Canaveral Air Force Base, Florida
Gila Bend Air Force Base, New Mexico

NAVY

Naval Submarine Base, Bangor, Washington
Naval Submarine Base, Kings Bay, Georgia

Comments From the Department of Defense



ACQUISITION AND
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE BUILDING
WASHINGTON, D.C. 20301-3000

Mr. David R. Warren
Director, Defense Management Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20508

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "Base Operations: Contracting for Firefighters and Security Guards," dated July 17, 1997 (GAO Code 709256/OSD Case 1413). The DoD generally concurs with the draft report.

As the report notes, contracting for firefighting and security services is (exempt in limited circumstances) prohibited by statute. As a result, DoD does not have extensive data on which we can predict the outcome of A-76 competitions. In other commercial activities, DoD has benefited greatly from competition between the public and the private sector both in terms of cost and performance. We agree that effective contracting is required to ensure that the government maintains required performance throughout the performance of any contract.

Additional comments are enclosed. The Department appreciates the opportunity to comment on this draft report.

Sincerely,

John B. Goodman
Deputy Under Secretary
(Industrial Affairs and Installation)

Enclosed
Additional comments



Additional Comments
GAO Draft Report Code 709256 (OSD Case 1413)
"BASE OPERATIONS: Contracting for Firefighters and Security Guards"

1. Page 2, paragraph 1, and page 21 and 20, Appendix 1: For accuracy sake, GAO needs to break the list into three sections, (1) bases with contracted fire departments (2) bases with contracted security guards, and (3) bases with contracted fire departments and security guards. The reader would quickly see the extent of our contracted actions for firefighters and security Guards.
2. Page 2, paragraph 4: GAO should not make an assessment on potential results of contracting firefighting based on visits to two Navy installations.
3. In the second to last paragraph on page 3, "Army Chief of Staff for Installations and Management" should be changed to "Army Assistant Chief of Staff for Installation Management."
4. Page 12: Replace entire paragraph with: "In prior years, DoD has asked Congress to repeal the law, but DoD did not specifically request repeal in fiscal year 1997. The Department's Quadrennial Defense Review calls for repeal of the kind of restrictions that are included in this law."
5. Page 13: strike and replace as follows: "DoD officials state that they would like Congress to repeal the prohibition against contracting for firefighter and security guard services. However, although DoD has asked Congress to repeal the law in previous years, it did not specifically request repeal ask in fiscal year 1997. DoD officials believe significant savings can be realized from competing these functions with the private sector. ~~that repealing the law would promote more efficient and effective use of military personnel. . . .~~"
6. Page 13, third sentence: add "Additionally," before the sentence
7. Page 17, strike and replace as follows: "Office of the Secretary of Defense officials generally believe that they can save money by competing with the private sector ~~for firefighter and security guard services~~. However, the best way to determine if savings can be achieved is to conduct an A-76 study at each base that is considering converting these functions to contract. Because of the law, DoD has not performed ~~new~~ these studies for firefighters and security guards. Individual studies would be necessary because each base is unique in terms of the mission it must support and the nature of its local economy. . . ."
8. Replace the last sentence of second paragraph of page 3 and last sentence of page 19 with: "The Army also reports that in the past, about half of the commercial activities cost comparison had lower contract cost than in-house cost. Because those competitions tended to be the largest, about 60 percent of the Army positions studied were outsourced."

Major Contributors to This Report

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